

**Woodbury Financial Services, Inc.**  
**Custom Allocation Program® and Advisor Choice Trading**  
**Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure**

**Last Updated September 30, 2011**  
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**SEC File Number: 801-54905**

**This wrap fee program brochure provides information about the qualifications and business practices of Woodbury Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at (800) 800-2638. The information in this brochure has not been approved or verified by the Securities and Exchange Commission or by any state securities authority.**

**Additional information about Woodbury Financial Services, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Woodbury Financial Services, Inc. refers to itself as a "registered investment adviser". Registration does not imply a certain level of skill or training, but rather refers to the fact that Woodbury Financial Services, Inc. has registered with the Securities and Exchange Commission as a firm providing investment advisory services.**

### **MATERIAL CHANGES**

This document is the disclosure brochure for Woodbury Financial Services, Inc.'s wrap fee programs (the "Brochure"). This Brochure dated September 30, 2011 is a new document prepared according to the SEC's new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that was not required in Woodbury's last wrap fee program brochure.

In the future, Woodbury will update this section to discuss only specific material changes made to its wrap fee programs and this Brochure. A summary of those material changes will be provided to clients.

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## **ADVISORY SERVICES, FEES AND COMPENSATION**

### **A. General Description of Woodbury Financial Services, Inc.**

Woodbury Financial Services, Inc. ("Woodbury" or the "Firm") is registered with the U.S. Securities and Exchange Commission ("SEC") as both a broker-dealer and as an investment adviser, and is a member of the Financial Industry Regulatory Authority ("FINRA"). Woodbury's registration with the SEC as an investment adviser became effective September 19, 1997. Registration as an investment adviser does not imply a certain level of skill or training. Woodbury is an indirect wholly owned subsidiary of The Hartford Financial Services Group, Inc. "The Hartford").

Woodbury operates as an independent retail broker-dealer and investment adviser. The Firm provides financial products and services and serves its financial services customers through approximately 1700 registered representatives (the majority of whom are independent contractors) who are registered with FINRA of which approximately 700 of these registered representatives are also registered as investment adviser representatives ("Advisers") within the states where they conduct business.

When Advisers are providing investment advisory services, they receive advisory fees and are acting as fiduciaries to their clients. As fiduciaries, Advisers are required to act in the best interest of the client. When Advisers are acting as registered representatives for Woodbury's broker-dealer activities, they are acting as sales representatives and are compensated based on commissions for the products they sell. Please see "Fees and Compensation" below for additional information related to compensation practices.

### **B. Services**

Woodbury has prepared this Brochure to provide clients, and prospective clients, of Woodbury Financial Custom Allocation Program ("CAP") and Advisor Choice Trading ("ACT") with important information that you should carefully review and consider prior to becoming a client in one or both of the programs. Throughout this Brochure, CAP and ACT are collectively referred to as "Wrap Fee Programs". Woodbury offers other investment advisory services not discussed in this Brochure, including but not limited to financial planning services. If you are interested in obtaining these others services, please ask for the applicable disclosure document for further information about these services.

#### **Custom Allocation Program<sup>®</sup> - CAP**

CAP is a **non-discretionary** wrap fee program whereby your Woodbury Adviser will recommend mutual funds and other investments for your portfolio based on your investment objectives and risk tolerance and you will decide whether to implement or reject those recommendations. CAP clients will consult with their Adviser to clearly define investment objectives and financial needs as well as to evaluate your ability to tolerate the various risks that are inherent to different investments and investment strategies. After carefully determining your investor profile, your Adviser will work with you to choose an appropriate mix of investments<sup>1</sup> to reflect your investor profile. This process is known as asset allocation. Asset allocation is the process of allocating your investments across a variety of mutual funds and other investments to reflect your individual investment needs, whether those needs are, among others, capital appreciation, income or liquidity.

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<sup>1</sup> The following types of securities may not be purchased within, or transferred into, a CAP account: (i) back-end loaded mutual funds, (ii) new purchases of municipal bonds in qualified accounts, (iii) leveraged products and (iv) reverse convertibles.

## Advisor Choice Trading - ACT

ACT is a **discretionary** wrap fee program whereby your Adviser manages your portfolio on a discretionary basis based on your investment objectives and risk tolerance. Your Adviser makes all of the trading decisions for your account. ACT clients will consult with their Adviser to clearly define investment objectives and financial needs as well as to evaluate your ability to tolerate the various risks that are inherent to different investments and investment strategies. After carefully determining your investor profile, your Adviser will work with you to choose an appropriate asset allocation made up of underlying mutual funds and other securities<sup>2</sup> to reflect your investor profile.

As a client of CAP or ACT, you will pay an investment advisory fee for, among other things, investment advice, assistance with account paperwork, client risk profiling, asset allocation modeling, asset allocation and rebalancing recommendations, and brokerage trade execution and custody. In other programs and/or relationships, a client also pays a separate commission when buying or selling securities. Under a wrap fee program, those execution charges are wrapped into the total fee. It is possible that the wrap fee may exceed the aggregate amount you would pay in commissions if you chose to pay separately for commissions. Whether the wrap fee exceeds the aggregate commissions will depend on a variety of factors, including the amount of portfolio activity in your account, the value of your account, and the nature and cost of other services provided under your contract. You should carefully consider which type of program is right for you, including which may be more economically advantageous for you.

Woodbury does not provide tax or legal advice and will not advise or act on behalf of a client in legal proceedings, class actions or bankruptcies.

### C. Fees Clients Pay to Woodbury

#### CAP Program Fee

Woodbury charges you an annual program fee ("Program Fee") in quarterly installments which is a percentage amount of your assets in the applicable Wrap Fee Program. Below is the standard fee schedule for CAP:

MAXIMUM PROGRAM FEE SCHEDULE – CUSTOM ALLOCATION PROGRAM				
Asset Level	\$50K - \$250,000	Next \$250,000	Next \$500,000	Above \$1,000,000
Program Fee	2.00 %	1.75 %	1.50 %	1.25 %

In calculating your Program Fee, Woodbury uses a "blended" approach using each asset level above. For example, if your account has an asset level of \$300,000, your total Program Fee is 2.00% of \$250,000 plus 1.75% of \$50,000 or \$5,900. This amount will be billed in quarterly installments.

CAP fees are negotiable within each asset level, but such negotiated fees may not exceed the fees set forth above for each asset level. Related accounts may be combined for purposes of determining the applicable "Asset Level" set forth above and thus create the opportunity for a reduced Program Fee.

In addition to sponsoring CAP, Woodbury provides portfolio management services to the program and for its services retains that portion of the Program Fee not paid to Pershing, LLC ("Pershing") the executing

<sup>2</sup> The following types of securities may not be purchased within, or transferred into, an ACT account: (i) low priced designated securities ("penny stocks") as defined by rule 3(a)51-1 of the Securities Exchange Act of 1934, (ii) back-end loaded mutual funds, (iii) new purchases of municipal bonds in qualified accounts, (iv) below investment grade or non-rated debt securities, (v) leveraged products, (vii) options, (viii) reverse convertibles, (ix) any security on Woodbury's alternative investments platform, (x) commodities and (xi) variable annuities.

broker and custodian for the Wrap Fee Programs. Based on the fee schedule set forth above, Woodbury's net fee range is as follows:

<b>WOODBURY'S NET FEES</b>				
<b>Asset Level</b>	<b>\$50K - \$250,000</b>	<b>Next \$250,000</b>	<b>Next \$500,000</b>	<b>Above \$1,000,000</b>
<b>Net Fee</b>	1.82%	1.63%	1.43%	1.25%

Woodbury then pays your Adviser a portion of the net fee, which varies depending on Woodbury's arrangement with each Adviser.

#### **ACT Program Fee**

Woodbury charges you a Program Fee which is a percentage of your assets in the ACT program. Below is the standard fee schedule for ACT:

<b>MAXIMUM PROGRAM FEE SCHEDULE – ADVISOR CHOICE TRADING</b>				
<b>Asset Level</b>	<b>\$50K - \$250,000</b>	<b>Next \$250,000</b>	<b>Next \$500,000</b>	<b>Above \$1,000,000</b>
<b>Program Fee</b>	2.25 %	2.00 %	1.75 %	1.50 %

In calculating your fee, Woodbury uses a “blended” approach using each asset level above. For example, if your account has an asset level of \$300,000, your total fee is 2.25% of \$250,000 plus 2.00% of \$50,000 or \$6,625.

ACT Program Fees are negotiable within each asset level, but such negotiated fees may not exceed the fees set forth above for each asset level. Related accounts may be combined for purposes of determining the applicable “Asset Level” set forth above and thus create the opportunity for a reduced Program Fee.

In addition to sponsoring the ACT program, Woodbury provides portfolio management services to the program and for its services retains that portion of the Program Fee not paid to Pershing. Based on the fee schedule set forth above, Woodbury's net fee range is as follows:

<b>WOODBURY'S NET FEES</b>				
<b>Asset Level</b>	<b>\$50K - \$250,000</b>	<b>Next \$250,000</b>	<b>Next \$500,000</b>	<b>Above \$1,000,000</b>
<b>Net Fee</b>	2.00 %	1.80 %	1.60 %	1.45 %-1.49%

Woodbury then pays your Adviser a portion of the net fee, which varies depending on Woodbury's arrangement with each Adviser.

Program Fees are billed and directly debited from the available money market funds in your account through Pershing, at the beginning of each calendar quarter based upon the value of the account as of the last business day of the preceding quarter (the “closing date”). If there are insufficient funds within the money market funds, non-money market securities will be redeemed to pay the quarterly fee. Calendar quarters are: (i) January 1 to March 31, (ii) April 1 to June 30, (iii) July 1 to September 30, and (iv)

October 1 to December 31. Woodbury and its Advisors rely on Pershing for determining the value of the account on the closing date. A pro rata quarterly fee will be charged for any account opened on a day other than the first day of a calendar quarter. The fee will be based on the number of days remaining within the quarter. For any deposit or withdrawal of \$10,000.00 or more, an additional fee or a return of fees respectively, will be assessed based on the number of calendar days in the quarter after the deposit or withdrawal was made.

Either Woodbury or you may terminate an account upon written notice at any time. You will be entitled to a pro rata refund of any prepaid Program Fee based upon the number of days remaining in the quarter after the date that notice of termination is received.

#### **D. Additional Fees Clients Pay**

- i. Brokerage Fees** - Pershing charges for certain **non-standard** services over and above the Program Fee, including, but not limited to the following services: delivery of paper statements and trade confirmations, bond redemptions, safekeeping of security and fixed-income certificates, legal transfers, outgoing account transfers, overnight delivery, reorganization activities, returned checks, settlement extensions, certificate issuance, wired funds, equity dividend reinvestment, qualified account custodial maintenance and qualified account termination.
- ii. Investment Company Fees** - To the extent your account is invested in securities such as mutual funds, unit investment trusts or Exchange-Traded Funds (ETFs), you will pay your proportionate share of all the fees and expenses charged by such funds. These include advisory, administrative and other fees. Such fees may include a distribution fee known as a "12b-1 fee". These fees and expenses are **in addition to** the Program Fee and are described in the applicable prospectus. Therefore, clients pay two levels of advisory fees on the same assets, one directly to Woodbury and one indirectly to the investment company's investment adviser. Investors should carefully consider the additional costs and expenses of investment company securities.
- iii. Mutual Fund Partners** - As mentioned above, some mutual funds charge a marketing distribution fee known as a 12(b)-1 fee. Certain of the mutual fund share classes used in the Wrap Fee Programs assess these fees, which are then paid to Woodbury<sup>3</sup>. Woodbury, in its capacity as a registered investment adviser and broker-dealer, also receives revenue sharing compensation from certain mutual fund companies based on the total amount of Assets under Management ("AUM") Woodbury clients have with such mutual fund companies<sup>4</sup>. Finally, Woodbury receives compensation from certain mutual fund companies in the form of a lump-sum payment to support its annual national sales conference or other educational meetings. As a result of these arrangements, Woodbury has a conflict of interest in determining which mutual funds to include as investment options in its Wrap Fee Programs. For the ACT Program, Woodbury addresses this conflict by requiring that the program's Investment Committee review and approve all investment products before their inclusion in the program. The Investment Committee applies the same standards in reviewing and approving mutual funds that pay Woodbury as it does in reviewing and approving investment products that do not pay Woodbury. Woodbury also addresses this conflict by not permitting the Advisers

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<sup>3</sup> Certain of the share classes used in the CAP program, such as institutional or adviser share classes, do not assess 12(b)-1 fees and as a result such fees are not paid to Woodbury.

<sup>4</sup> Certain of the mutual fund partners exclude client and client holdings in institutional and similar share classes from AUM when calculating revenue sharing compensation to Woodbury.

who make the actual investment decisions to share in any mutual fund compensation to Woodbury so they are not financially incented to choose one mutual fund over another. Additionally, Advisers receive training on all advisory products and services, including recommending products and services based on the client's needs. The mutual fund families which compensate Woodbury in this manner are set forth below.

Hartford Mutual Funds  
 AIM Investments  
 John Hancock Mutual Funds  
 Lord Abbett

Pacific Life Mutual Funds  
 Putnam Investments  
 RS Funds  
 Pimco

- iv. **Affiliated Mutual Funds-** Because of Woodbury's affiliation with the sponsor and manager of the Hartford Mutual Funds, it has a conflict of interest in recommending such funds. Because the advisory services provided to clients in its Wrap Fee Programs differ from the advisory services Woodbury's affiliate provides to the Hartford Mutual Funds, Woodbury assesses the Program Fee with respect to client assets invested in the Hartford Mutual Funds. Woodbury does not assess the Program Fee with respect to client assets invested in the Hartford Mutual Funds where such assets are in qualified retirement accounts. Where the Program Fee is assessed, clients pay two levels of advisory fees on the same assets, one directly to Woodbury and one indirectly to Woodbury's affiliate through the Hartford Mutual Funds. Woodbury addresses this conflict through its Investment Committee review and approval process discussed in the previous section.
- v. **Interest Income** - Woodbury receives interest income from certain money market funds available through the Wrap Fee Programs. This interest income is **in addition to** the portion of the fees Woodbury receives from all Wrap Fee Programs.
- vi. **Trade Errors** - In the event of a trading error, for example an incorrect security is purchased or sold for a client's portfolio, Woodbury will first seek to cancel the trade. If the trade cannot be cancelled or has otherwise settled, Woodbury will take reasonable steps to put the client in the same position it would have been in had the error not occurred. If correcting the trade results in a net loss to the client's account, Woodbury will reimburse the client account. Any gain or loss in the error account will be the responsibility of Woodbury. To the extent there are net gains, Woodbury financially benefits.
- vii. **Unbundled Services** – As mentioned above, in Wrap Fee Programs, you pay a combined wrap program fee for investment management and trade execution services. It is possible to obtain these services separately. If you obtain such services separately, your total cost may be higher or lower than the program fee for a variety of reasons, e.g., higher if your account is traded frequently and lower if your account is traded infrequently.
- viii. **Deferred Compensation** – Advisers may receive deferred compensation benefits related to their overall production (advisory fees and securities based compensation) as an Adviser, broker-dealer registered representative, or insurance agent. The deferred compensation program payout for each Adviser **does not** vary depending on any security selected in the Wrap Fee Programs.
- ix. **Incentive Compensation** – Advisers receive additional compensation for meeting certain sales thresholds based on overall production numbers of advisory fees and broker-dealer commissions. The incentive compensation programs **do not** vary payouts for each Adviser based on any security selected in the Wrap Fee Programs.



Generally, program costs associated with ACT are higher for Advisers than those for CAP, therefore, there may be a financial incentive for Advisers to recommend the use of CAP. However, the Program Fee associated with ACT is higher due to the programs discretionary nature; therefore there may be financial or other incentives for Advisers to recommend ACT over CAP. Advisers receive training on all advisory products and services, including recommending products and services based on the client's needs.

## **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **A. Account Requirements**

Accounts must be funded with a minimum asset value of \$50,000. Woodbury enforces this policy during initial account opening and when significant withdrawals of account assets occur. A combination of accounts may be used to meet the account minimum as long as the average balance of all combined accounts meets the \$50,000 requirement. Woodbury reserves the right to close any account that falls below the minimum due to market fluctuation.

### **B. Types of Clients**

In its Wrap Fee Programs, Woodbury permits the following types of clients: individuals (including high net worth clients), corporations and other business entities, estates, trusts, and charitable organizations. Woodbury will not permit any mutual fund, banks or thrift institutions, third-party registered investment advisers (money managers), broker-dealers, or pooled investment vehicles. Woodbury reserves the right to reject any prospective client for its Wrap Fee Programs.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Portfolio Manager Selection**

Woodbury's Advisers provide the portfolio management services to clients' accounts. Although as a general matter, each client will select the initial Adviser for the client's Wrap Fee Program, Woodbury has adopted criteria and evaluates certain factors concerning who may serve in such a capacity, including: (i) past or pending client complaints, regulatory, or Woodbury-discovered issues related to certain policies and procedures, or any other issue that would draw concern over the representative's character and fitness to offer discretionary or non-discretionary management services, (ii) receipt of a passing score on Woodbury's internal qualification exam (for ACT Program only), (iii) licensed as a Woodbury investment adviser representative, (iv) all required FINRA licenses and registrations and (v) all required state securities licenses.

Wrap Fee Program account performance is calculated and provided by Pershing. Clients may obtain performance information at anytime through the online client system. From time to time, Woodbury reviews Adviser account performance to ascertain whether an Adviser may need additional training regarding the Wrap Fee Program requirements.

Supervisory personnel ("Supervisory Principals") of Woodbury review and approve new Wrap Fee Program accounts. Supervisory Principals conduct periodic reviews of all existing Wrap Fee Program accounts for, among other things: (1) excessive trading in an account over an extended period (2) a lack of activity in an account over an extended period (3) comparing the performance of the portfolio against

the performance of benchmark asset classes (4) changes in the percentage of asset classes due to the change in value of each asset class, and (5) concentrations in specific securities and cash positions.

### **Investment Strategy**

In providing asset allocation advice, Woodbury and its Advisers use Modern Portfolio Theory. Modern Portfolio Theory concludes that diversifying a portfolio among various types of assets is more important to the performance of the portfolio than when the assets are purchased for the portfolio. This theory is based on the assumption that different types of assets perform differently under the same economic conditions. By allocating a portfolio among different types of securities, risk to the portfolio tends to be reduced as economic conditions change. As a result of the use of Modern Portfolio Theory, Woodbury's Wrap Fee Programs allocations are generally considered long term investments. They are not managed using market timing or short term trading strategies, although Woodbury's Advisers may occasionally recommend and/or decide to move account assets into cash during periods of extreme market volatility. Clients may impose reasonable restrictions on the account management, including the designation of particular securities or types of securities that should not be purchased or that should be sold if held in the account.

Your Adviser will gather certain financial information, including: net worth, liquid assets, gross annual income, federal tax bracket, investment experience, investment objective and risk tolerance and then assist you with the completion of a risk tolerance profiling questionnaire that is used as the ultimate basis for determining the appropriate underlying asset allocation model. The answers to the questions help Woodbury match each Wrap Fee Program client to one of five standard model portfolios ("portfolios"). Each portfolio is structured to reflect a certain overall risk tolerance and investment objective. The portfolios are: (1) Conservative, (2) Moderately Conservative, (3) Moderate, (4) Moderately Aggressive, and (5) Aggressive. Each portfolio features different allocations to various asset classes, including, where appropriate, US stocks, international stocks, US investment grade fixed income, US high yield fixed income, non-US fixed income and cash. Once a portfolio has been selected for an account, Woodbury advisers have the latitude to customize the portfolios to each client's specific needs. While the portfolios may be customized, the general parameters for risk and investment objectives may not be exceeded.

Due to the differing financial circumstances of each client and/or Wrap Fee Program account, Woodbury and its Advisers may give differing advice or take differing actions with regard to the same or similar securities for each client.

Once a Woodbury Adviser determines the mix of assets or asset allocation for the client's Wrap Fee Program account, he/she will select or recommend the individual securities for the account based on the following types of security analysis:

- **Charting Analysis:** Charting historical price movements, volume, settlement prices, open interest and other indicators to try to determine future price movements within a security;
- **Fundamental Analysis:** Examining information specific to the company rather than looking at the overall state of the market or other data. Evaluating the company's financials and operations (e.g., sales, earnings, growth potential, assets, debt, management, products, competition, etc.);
- **Technical Analysis or Cyclical Analysis:** Analyzing a security using: financial and industry periodicals, independent research firm materials, corporate ratings services, timing services, annual reports, prospectuses, filings with the SEC, and company press releases.

For Wrap Fee Programs, securities recommendations may include: exchange listed equity securities; equity securities traded over-the-counter, warrants, corporate debt securities, commercial paper, certificate of deposit, municipal securities, variable annuities, mutual fund shares, United States government securities, and option contracts on securities (not including commodities).

## **Material Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. There is no assurance that an investment will provide positive performance over any period of time. Past performance is no guarantee of future results and different periods and market conditions may result in significantly different outcomes. Woodbury does not guarantee: (1) future account performance, (2) any specific level of account performance, (3) the success of any investment strategy implemented, or (4) the success of any investment recommendation. The material risks presented by our strategy and its investments are set forth below, but this section does not attempt to identify every risk, or to describe completely those risks it does identify.

### **Market Risk**

The market values of the securities owned in the strategy may decline, at times sharply and unpredictably. Market values of equity securities are affected by a number of different factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, reduction in demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity.

### **Economic Risk**

Changes in economic conditions, including, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can substantially and adversely affect investments.

### **Management Risk**

This is the risk that we will not successfully execute a strategy even after applying our investment process. There can be no guarantee that our decisions will produce the intended result, and there can be no assurance that an investment strategy will succeed.

### **Derivatives Risk**

The strategy may use derivatives, such as options, futures and swaps. The derivatives market is, in general, a relatively new market and there are uncertainties as to how it will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Substantial risks are also involved in borrowing and lending against derivatives. Derivatives prices can be volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by an account, thereby causing substantial losses. Most of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force us to close out positions). In addition, some derivatives carry the additional risk of failure to perform by the counterparty to the transaction. Many unforeseeable events, such as government policies, can have profound effects on interest and exchange rates, which in turn can have large and sudden effects on prices of derivative instruments.

### **Asset Allocation Risk**

Asset allocation may have a more significant effect on account value when one of the more heavily weighted asset classes is performing more poorly than the others. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

**Fixed Income Risks**

Including: *interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates; *income risk*, which is the chance that a strategy's income will decline because of falling interest rates; *credit risk*, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline; and *call risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The strategy would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the strategy's income.

**Municipal Securities Risks**

To the extent the strategy invests in bonds issued by local governments, such bonds are subject to the fixed income risks described above as well as the following risks: legislative risk- the risk that a change in the tax code could affect the value of tax-exempt interest income; and liquidity risk- the risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer.

**Non-Discretionary Management Risk**

As a non-discretionary investment manager, we have to receive client approval before executing recommended transactions. To the extent there is a delay in receiving that approval, we may not be in a position to execute in the same manner that we do for other clients where there is no delay or otherwise be able to take advantage of rapidly changing market conditions.

**Risk of Loss**

Investments in securities may involve some or all of following significant inherent risks: market risk, currency risk, economic and political risk, and business risk. As such, securities investment decisions will not always be profitable or avoid losing money, and clients must be willing to bear any such resulting losses. Woodbury does not guarantee: (1) future account performance, (2) any specific level of account performance, (3) the success of any investment strategy implemented, or (4) the success of any discretionary investment decision. Clients should carefully read all disclosure documents relating to a security before making an investment

**Performance Based Fees and Side-by-Side Management**

Woodbury does not charge performance-based fees. Therefore, this disclosure item is not applicable.

**Voting Client Securities**

Woodbury does not have authority to vote client securities. Clients will receive proxies or other solicitations directly from the custodian or transfer agent for the securities held in their account.

**CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Woodbury's Advisers provide the portfolio management services for your account. Woodbury and your Adviser will collect certain information about you and your financial situation upon account opening. Woodbury and your Adviser rely on the information that you provide, therefore it is very important that you keep Woodbury and your Adviser informed of any changes to your financial situation.

## **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Woodbury's Advisers provide the portfolio management services for your account. As a Wrap Fee Program client, you will have open access to your Adviser.

### **ADDITIONAL INFORMATION**

#### **A. Disciplinary Information**

Woodbury is required to disclose all material facts regarding certain legal or disciplinary events that would be material to the client's evaluation of Woodbury or the integrity of its management. Woodbury's disclosures are set forth below.

- Financial Industry Regulatory Authority ("FINRA") (August 2011) Woodbury, in its capacity as a broker-dealer, signed a letter of acceptance, waiver and consent for a failure to establish an adequate supervisory control system from November 2008 to September 2010 to adequately review and monitor the transmittal of funds from the accounts of customers to third-party accounts, as required under NASD conduct rules 3010, 3012(A)(2)(B)(i) and 2110, and FINRA Rule 2010. Woodbury paid a \$75,000 fine and has enhanced its supervisory system and procedures relating to the transmittal of funds from customer accounts to third party accounts.

Vermont Department of Banking, Insurance, Securities and Health Care Administration: Securities Administration (July 2009) Woodbury paid a \$15,000 administrative penalty and enforcement cost for failing to reasonably supervise variable annuity subaccount allocations for a representative. In selecting subaccounts for the applicable clients, the representative used an asset allocation model derived from a known industry profiler used to assess the risk tolerance of a client. In an effort to ensure against the use of similar allocation models for seemingly differing clients, Woodbury monitors the described activity utilizing a surveillance exception report of subaccount allocations for clients within the state of Vermont.

- The Arizona Corporation Commission, Securities Division (April 2009) Woodbury, in its capacity as a broker-dealer, pursuant to a final order paid an administrative penalty of \$250,000 for failure to reasonably supervise two representatives. The representatives were defrauding clients by creating false statements and routing original statements to post office boxes under their control. Woodbury has since modified and updated its policies and procedures designed to detect such activity.

- Securities and Exchange Commission ("SEC") (April 2009) Woodbury entered into a settlement agreement with the SEC and paid a \$65,000 penalty for violations of Regulation S-P, because Woodbury allowed departing representatives to take information related to clients the representative brought to the firm or secured while acting as a representative for Woodbury. Woodbury no longer allows departing representatives to take client information unless the client has specifically authorized such dissemination.

- Missouri Securities Division (December 2008) Woodbury committed a technical filing error which failed to properly license two investment advisory representatives, that otherwise met the states' licensing requirements. Woodbury paid a \$6,000 fine and the state of Missouri licensed the two advisers without any additional requirements.

- Financial Industry Regulatory Authority ("FINRA") (December 2008) Woodbury, in its capacity as a broker-dealer, signed a letter of acceptance, waiver, and consent for failure to establish an adequate supervisory system and supervisory procedure from December of 2002 to May of 2005 to review the

suitability of variable life insurance applications as required under National Association of Security Dealers ("NASD") conduct rules 3010(a), 3010(b) and 2110. Woodbury paid a \$50,000 fine and has enhanced its supervisory system and procedures for the review of variable life insurance.

- State of Texas (March 2004) Woodbury, in its capacity as a broker-dealer, failed to accurately register all branch offices in the state of Texas. Woodbury paid a fine of \$12,500 and properly registered all branch offices within the State of Texas.

## **B. Other Financial Industry Activities and Affiliations**

Woodbury is a Securities and Exchange Commission ("SEC") registered investment adviser. Woodbury's principal business is to offer variable annuities, variable life insurance, mutual funds and general securities to retail clients as a member broker-dealer firm with Financial Industry Regulatory Authority ("FINRA").

In addition, many of Woodbury's management persons, which include its principal executive officers (e.g., its Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer); its directors; and individuals with similar status; members of the firm's investment committee and individuals who determine the general investment advice provided to clients, are registered representatives of Woodbury.

When Advisers are acting as sales representatives, their activities are regulated by FINRA. Under FINRA rules, Woodbury's Adviser(s) acting as sales representatives may provide advice on the securities products offered through Woodbury. In addition some of Woodbury's Advisers may be employed by, or own, a financial services business entity, including an investment adviser business, separate from Woodbury. Although this is not considered a conflict of interest, clients should be aware that these situations may exist.

Since Advisers are independent contractors of Woodbury, they have the ability to engage in certain other business activities separate and/or unrelated to the activities they conduct through Woodbury. Prior to doing so, the firm must review, and when appropriate, approve the activity. Several factors are evaluated to determine whether to approve the activity, including, the type of activity involved, compensation related to such activity, and any conflicts of interest that the activity may present.

Woodbury Advisers may hold certain industry designations or certifications (e.g., Certified Financial Planner, Enrolled Agent, Certified Financial Analyst, and Accredited Estate Planner) and may use such designations or certifications in marketing material provided to clients. While Woodbury has developed a process to review and approve the designations and certifications used by its Advisers, Woodbury does not endorse, guarantee or claim that any particular designation or certification an Adviser uses will result in that Adviser being able to provide specialized or expert advice. Designations and certifications do not: (i) replace or award any state, federal, or jurisdictional securities, insurance or other license, or (ii) ensure the Adviser is qualified to render advice in the areas of financial services identified by the designation or certification. Neither Woodbury nor its Advisers represent that they are adhering to a particular standard that is required by any organization conferring a designation or certification.

Woodbury is also an insurance agency licensed to do business in all 50 states. Advisers may sell fixed insurance products including, but not limited to, fixed annuities, term life insurance, and whole life insurance for compensation through Woodbury's insurance agency.

The Hartford also directly or indirectly owns the following SEC registered investment advisers: Hartford Investment Management Company, Hartford Investment Financial Services, LLC and HL Investment

Advisers, LLC (collectively, the “affiliated investment advisers”). These affiliated investment advisers are separate and distinct entities and act as investment advisers to The Hartford’s mutual funds or variable products, which may be purchased by Woodbury’s clients. Although Woodbury and its Advisers do not receive additional direct compensation for promoting a Hartford product over other products, this relationship may affect an Adviser’s recommendation to financial planning clients if they choose to implement their financial plan using their Woodbury Adviser as their sales representative.

Some of Woodbury’s directors and officers receive a portion of their compensation based on sales of Hartford products. As a result, these directors and officers have an economic incentive to promote the sale of Hartford products. All recommended securities sales are reviewed by a registered principal of Woodbury in an effort to ensure the sale is appropriate for the client. Clients should consider the fees and charges of any product they decide to purchase through Woodbury.

### **C. Code of Ethics, Participant or Interest in Client Transactions and Personal Trading**

Woodbury’s Code of Ethics (the “Code”) is designed specifically for a firm such as Woodbury that has retail clients and is registered both as an investment adviser and a broker-dealer. The Code establishes minimum standards of business conduct for all Woodbury’s Directors, Officers, Employees, Advisers, and Registered Representatives, who are referred to as Supervised Persons. Under the Code, all Woodbury personnel who are involved in Woodbury’s investment advisory business are expected to act in the best interest of Woodbury’s advisory clients.

The relevant portions of Woodbury’s Code of Ethics are summarized below. Woodbury’s entire written Code is available to all clients or prospective clients upon request and free of charge. To obtain a complete copy of Woodbury’s Code of Ethics, please send a written request to:

**Woodbury Financial Services, Inc.  
Attn: Advisory Services Department  
500 Bielenberg Drive  
Woodbury, MN 55125**

#### **Business Conduct Standards**

Woodbury Supervised Persons are required to act professionally, competently, fairly and use integrity in all business dealings. Under the Code, Woodbury’s Supervised Persons are also required to:

- 1) Comply with all securities laws and regulations
- 2) Report violations of the Code
- 3) Attest to compliance with the Code, and
- 4) Adhere to Woodbury’s Insider Trading Policy (see below)

#### **Personal Securities Accounts and Transactions**

Since the Code is based upon the principle that Woodbury and its Advisers act in the best interest of their investment advisory clients, Woodbury and its Advisers must act in a manner that:

- 1) Avoids serving the Adviser’s personal interests ahead of clients,
- 2) Helps to ensure that an Adviser does not take inappropriate advantage of their position with Woodbury,
- 3) Helps to ensure that the Adviser’s position of trust and responsibility is not unfairly or unethically misused; and

- 4) Avoids any actual or potential conflict(s) of interest.

Under the Code, Woodbury Supervised Persons' activities in personal securities accounts are monitored. The purpose of monitoring Supervised Persons' personal securities transactions is to prevent any trading-related activities that may lead to, or give the appearance of, a conflict of interest, insider trading, or other form of prohibited or unethical business conduct. As such, Supervised Persons must submit a report of all personal securities accounts and allow Woodbury access to statement information or equivalent data. As it relates to specific prohibitions and in an effort to avoid certain conflicts of interest, Supervised Persons' are prohibited from purchasing or selling any security on the same day that they recommend such security to a client.

#### **Insider Trading Policy**

All Supervised Persons are prohibited from acting upon, misusing or disclosing any material, nonpublic information, known as inside information. Any violations of Woodbury's insider trading policy may result in disciplinary action and/or termination.

#### **Violations of the Code**

Any Supervised Persons who violate the Code may be subject to disciplinary action by Woodbury, including but not limited to termination of employment or affiliation.

#### **Participation or Interest in Client Accounts**

Woodbury does not maintain firm trading accounts and therefore does not buy securities from wrap program clients or sell securities to wrap program clients that it owns or intends to own, respectively. Woodbury does not effect brokerage transactions between advisory client accounts and brokerage client accounts. Advisers may own some or all of the same securities they are purchasing and/or managing within the account. Woodbury has adopted a Code of Ethics which addresses the personal securities transactions of Advisers. As similarly noted above, to minimize this potential conflict of interest, Advisers may not trade securities for their own accounts on the same day that they are buying or selling the same security in their clients' Wrap Fee Program accounts.

#### **D. Review of Accounts**

Woodbury's Supervisory Principals review the investment advisory products and services Woodbury offers. Woodbury's Supervisory Principals review and approve new Wrap Fee Programs. Wrap Fee Programs are reviewed by a Supervisory Principal on an ongoing basis. Such ongoing and periodic reviews include:

1. Excessive trading in an account over an extended period;
2. Lack of activity in an account over an extended period;
3. Comparing the performance of the portfolio against the performance of benchmark asset classes;
4. Changes in the percentage of asset classes due to the change in value of each asset class, and
5. Concentrations in specific securities and cash positions.

Written reports for Wrap Fee Programs will be provided to clients on at least a quarterly basis on Woodbury's behalf by Pershing.

#### **E. Client Referrals and Other Compensation**

Woodbury and its Advisers may receive an economic benefit from someone who is not a client for providing investment advice or other advisory services to Woodbury clients by referring clients to other investment advisers. These economic benefits are not applicable to the Wrap Fee Programs discussed in



this Brochure. Specific information about these arrangements is provided in the applicable disclosure document for its other investment advisory services.

Neither Woodbury nor its Advisers directly or indirectly compensates any person who is not supervised by Woodbury for client referrals in its Wrap Fee Programs.

Periodically, Woodbury may conduct sales incentive contests or provide sales conference recognition for its registered representatives to the extent permitted under applicable law. These sales contests and/or sales conference recognition awards generally do not focus on any one product or company, rather the overall sales by a representative.

#### **F. Financial Information**

Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. Woodbury has no financial condition that might impair its ability to meet its contractual commitments to clients, and has never been the subject of a bankruptcy proceeding.

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